

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-358-E

In Re:)	
Application of Duke Energy Carolinas, LLC)	REPLY TO RESPONSE OF
For Approval of Energy Efficiency Plan)	ENVIRONMENTAL
Including an Energy Efficiency Rider and)	INTERVENORS TO JOINT
Portfolio of Energy Efficiency Programs)	MOTION FOR APPROVAL OF
)	PARTIAL SETTLEMENT AND
)	ADOPTION OF SETTLEMENT
)	AGREEMENT

This Document Is An Exact Duplicate, With The Exception
Of The Form Of The Signature, Of The E-Filed Copy
Submitted To The Commission In Accordance With Its
Electronic Filing Instructions

The South Carolina Office of Regulatory Staff (“ORS”) hereby submits its Reply to the Response of the Environmental Intervenors To Joint Motion for Approval of Partial Settlement and Adoption of Settlement Agreement¹ pursuant to 26 S.C. Ann. Regs. 103-829 (Supp. 2007).

The Commission should approve the Joint Motion to adopt the proposed Settlement Agreement.² The Save-A-Watt plan is a novel approach to energy efficiency and Duke Energy Carolinas, Inc., (“Duke”) should be commended for their endeavors to incent themselves and their customers to put in place cost effective energy efficiency programs. ORS supports Duke’s efforts to advance its energy efficiency program in South Carolina. Through the Settlement Agreement, ORS negotiated provisions designed to act as a safety valve and yet provide the flexibility to pursue an energy efficiency program that, if successful, would postpone the necessity for a new plant and compensates the utility at a cost that provides a 15% discount to the ratepayer.

¹ The Environmental Intervenors consist of the South Carolina Coastal Conservation League, Environmental Defense, Southern Alliance for Clean Energy, and the Southern Environmental Law Center.

² For purposes of this Reply, the term Settlement Agreement refers to the agreement filed with the Commission on January 29, 2008. The Environmental Intervenors do not oppose the Piedmont Settlement Agreement filed with the Commission on February 1, 2008.

Specifically, the Settlement Agreement clarifies that Duke cannot recover in excess of 85% of the avoided generation costs and provides that Duke will file quarterly reports including the revenues collected under the rider, expenses calculated at 85% of the avoided generation costs, and the actual program costs. Thus, *if* there is truly “gross overcompensation,” that issue can be addressed in the annual filing or in the two year review. The concept that the utility should be compensated based on actual watts saved does not automatically equate to “gross overcompensation.” Nor does recouping a return on actual program costs automatically negate the fear of wasteful spending of ratepayer dollars on ineffective energy efficiency programs. As testified by Ms. Ruff, in its annual filing, ORS, another party, or Duke may seek to alter the amount of the rider as well as the avoided cost percentage based on the results of the program. While approval for the overall program is sought, all settling parties acknowledge that the program is subject to change and even termination. The Settlement Agreement specifically provides for a two-year review of the proposed plan which is in addition to the third party measurement and verification audit. While advancing a new approach to energy efficiency, the provisions of the Settlement Agreement provide an opportunity for quarterly reports, annual reports and review, and allows all parties the opportunity to participate in a full review and evaluation after two years. Certainly, there is oversight of this program and it is this oversight that mitigates the fear of “gross overcompensation.”

The Environmental Intervenors contend that the return of the DSM balance should not be tied to the Save-A-Watt program. The Settlement Agreement provides for the return of the DSM balance, with interest, and credited to each class of customers based on actual payments made by customer classes. Thus, the Settlement Agreement effectively provides an opportunity for the trial of Save-A-Watt without any rate increase on the residential customer prior to the two year

review. Again, the Settlement Agreement is a vehicle by which an existing credit balance is utilized to test drive a new incentive model for energy efficiency program.

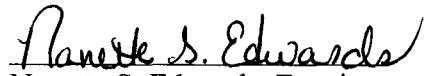
Finally, the Environmental Intervenors state that ORS “did not invite the Environmental Intervenors to participate in the ongoing settlement negotiations.” (Environmental Intervenors Response at page 2, ¶ 2). At two distinct points in time, the Environmental Intervenors were asked by ORS counsel or by ORS employees for recommendations as to what changes or modifications to the proposed plan would be acceptable. The first occasion occurred when Mr. John D. Wilson, Director for the Southern Alliance for Clean Energy, and counsel briefed ORS as to their concerns regarding the program. An ORS employee asked (1) “do you have an alternative plan?” and (2) “what modifications would you recommend such that the plan would be acceptable to you?” The second occasion occurred when counsel for ORS notified counsel for the Environmental Intervenors of the settlement negotiations, including detail of the provisions being discussed, and solicited input as to what modifications would be agreeable. Counsel for ORS also contacted counsel for Piedmont Natural Gas Company, Inc., (“Piedmont”) at or about the same time and relayed the same information and solicited input as to what modifications or changes would be acceptable to Piedmont. Counsel for Piedmont did relay back to ORS those terms and conditions that it would find acceptable and as this Commission is aware, ultimately, a separate settlement was reached between Piedmont, Duke and ORS.

The Settlement Agreement is supported by substantial evidence in record in the form of testimony of at least two witnesses, Ms. Ellen Ruff and Stephen T. Farmer. Over the course of two full days, February 5th and 6th, this Commission heard extensive testimony regarding Duke’s Energy Efficiency Plan and the modifications to the plan under the Settlement Agreement. Additionally, late filed exhibits were provided to the Commission by Duke in response to

questions of the Commissioners. ORS respectfully states that there is substantial evidence in the record to support Commission approval of the Settlement Agreement.

WHEREFORE, for the reasons set forth above, ORS supports the Settlement Agreement as in the public interest and respectfully submits that the Commission should approve the Save-A-Watt Energy Efficiency Plan as modified by the terms of the settlement.

Respectfully submitted,

A handwritten signature in cursive script, reading "Nanette S. Edwards".

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DOCKET NO. 2007-358-E

IN RE: Application of Duke Energy Carolinas, LLC)
 for Approval of Energy Efficiency Plan)
 Including an Energy Efficiency Rider and) **CERTIFICATE OF**
 Portfolio of Energy Efficiency Programs) **SERVICE**

This is to certify that I, Pamela J. McMullan, have this date served one (1) copy of the **REPLY TO RESPONSE OF ENVIRONMENTAL INTERVENORS TO JOINT MOTION FOR APPROVAL OF PARTIAL SETTLEMENT AND ADOPTION OF SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

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Pamela J. McMullan

February 21, 2008
Columbia, South Carolina